

**Pine River Township**

**Financial Statements**

**March 31, 2005**



# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

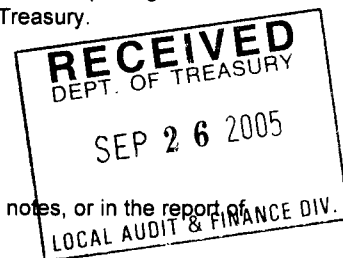
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Pine River Township</b>	County <b>Gratiot</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>6/22/05</b>	Date Accountant Report Submitted to State: <b>9/23/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

**ROSLUND, PRESTAGE & CO., PC, CPA'S**

Street Address <b>308 GRATIOT AVENUE</b>	City <b>ALMA</b>	State <b>MI</b>	ZIP <b>48801</b>
Accountant Signature <i>Charles R. Panty, CPA</i>			Date <b>9/23/05</b>

Pine River Township  
Financial Statements  
March 31, 2005

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Pine River Township Board  
March 31, 2005

Kevin Beeson

Supervisor

Gary Lofgren

Clerk

Elnora VanderVeen

Treasurer

Dave Best

Trustee

Jeff Baker

Trustee



## Independent Auditor's Report

Pine River Township Board  
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pine River Township, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2005, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages I-III, and budgetary comparison information on page 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Roslund, Prestage & Co, P.C.*

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

June 22, 2005

**MANAGEMENT DISCUSSION  
AND ANALYSIS**

PINE RIVER TOWNSHIP  
Management's Discussion and Analysis

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Using this Annual Report

We, the Board of Trustees of Pine River Township, offer citizens of the Township our financial statements with the narrative overview and analysis of the financial activities of Pine River Township for the fiscal year ended March 31, 2005.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of Pine River Township as a whole, and present a longer-term view of the Township's finances.

Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund Financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The unrestricted net assets of Pine River Township exceeded its liabilities at the close of the most recent fiscal year by \$2,168,372, which may be used to meet the Township's ongoing obligations to citizens and creditors. Of this amount, \$1,042,107 is for Governmental Activities (i.e. General Fund and Fire Fund) and \$1,126,265 is for Business-Type Activities (i.e. Sewer Funds).

As of the close of the current fiscal year the Township's governmental funds reported combined ending fund balances of \$1,042,107, an increase of \$130,336 from the prior year fund balance.

The current level of unrestricted net assets for our governmental activities stands at \$1,042,107, or about 307 percent of expenditures.

The Township's total expenditures increased by \$3,445 and \$12,501 during the current fiscal year, for Governmental Activities and Business-Type Activities, respectively.



### Business-Type Activities

The Township's business-type activities consist of the Saint Louis Sewer Fund and the Alma Sewer Fund. We provide water to customers primarily along and next to M-46 between Saint Louis and the US-127 Expressway, as well along Cheesman between Begole and Alger; Alger from Alma to Monroe Road; and Monroe Road from the US-127 Expressway to approximately ½ mile west of Alger Road. These sewers are connected to waste treatment plants in Alma and Saint Louis, and longstanding agreements remain in place to provide for proper sewer treatment and disposal.

### The Township's Funds

Our analysis of the Township's major funds begins on page 3, following the government wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as the Fire Fund.

The General Fund pays for most of the Township's governmental services.

### General Fund Budgetary Highlights

Over the course of the year, the Township Board of Trustees amended the budget to take into account events during the year. There were no significant changes. Budget-to-actual statements are shown on page 22.

### Capital Asset and Debt Administration

At the end of March 2005, the Township had \$2,066,920 invested in a combination of CD's and Cash Deposits. \$1,855,860 was uninsured and uncollateralized. Deposits, which exceed FDIC coverage limits, are held at local banks. The township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits.

### Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year includes a very conservative estimate for State Revenue Sharing payments. These funds have gradually been reduced, and Pine River Township has estimated further reductions for next year. Because some properties increase in value by less than inflation, and Proposal A caps new growth at the rate of inflation, the mathematical result is that the total taxable value of the Township will grow by less than the rate of inflation, before considering new property additions.

### Contacting your Township

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township at 989-681-5523, or write to us at:

**Pine River Township  
1495 W Monroe Road  
Saint Louis, MI 48880**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

Pine River Township  
Statement of Net Assets  
March 31, 2005

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$964,119	\$1,102,801	\$2,066,920
Accounts receivable	39,120	23,596	62,716
Taxes receivable	15,301	-	15,301
Special assessments receivable	20,371	3,094	23,465
Internal balances	5,294	(5,294)	-
Prepaid expenses	10,450	-	10,450
Total current assets	1,054,655	1,124,197	2,178,852
Noncurrent assets			
Capital assets less accumulated depreciation	226,658	573,533	800,191
Special assessments receivable	156,425	12,376	168,801
Total noncurrent assets	383,083	585,909	968,992
Total assets	1,437,738	1,710,106	3,147,844
<b>Liabilities</b>			
Current liabilities			
Accounts payable	8,035	10,308	18,343
Accrued liabilities	4,513	-	4,513
Total current liabilities	12,548	10,308	22,856
Long-term liabilities			
Deferred revenue	156,425	-	156,425
Total liabilities	168,973	10,308	179,281
<b>Net Assets</b>			
Invested in capital assets, net of related debt	226,658	573,533	800,191
Unrestricted	1,042,107	1,126,265	2,168,372
Total net assets	\$1,268,765	\$1,699,798	\$2,968,563

See accompanying notes to financial statements

Pine River Township  
Statement of Activities  
For the year ended March 31, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Governmental Activities	Business-Type Activities	Total	
Governmental Activities:						
Legislative	\$38,700	-	(\$38,700)	-		(\$38,700)
General government	133,072	-	(133,072)	-		(133,072)
Public safety	93,453	-	(93,453)	-		(93,453)
Public works	69,795	\$68,240	(1,555)	-		(1,555)
Community and economic development	17,206	8,269	(8,937)	-		(8,937)
Total governmental activities	352,226	76,509	(275,717)	-		(275,717)
Business-Type Activities						
Water and sewer	167,514	133,864	-	(\$33,650)		(33,650)
Total primary government	\$519,740	\$210,373	(275,717)	(33,650)		(309,367)
General Revenues						
Property taxes			195,505	-		195,505
State revenues			170,692	-		170,692
Investment earnings			16,015	12,471		28,486
Other revenues			11,889	4,111		16,000
Total general revenues			394,101	16,582		410,683
Change in net assets			118,384	(17,068)		101,316
Net assets - beginning of year			1,150,381	1,716,866		2,867,247
Net assets - end of year			\$1,268,765	\$1,699,798		\$2,968,563

See accompanying notes to financial statements

## **FUND FINANCIAL STATEMENTS**

Pine River Township  
Balance Sheet  
Governmental Funds  
March 31, 2005

	Major Funds		Totals (Memorandum Only)
	General Fund	Fire Fund	
<u>Assets</u>			
Cash and cash equivalents	\$820,054	\$144,065	\$964,119
Due from other governmental units	39,120	-	39,120
Taxes receivable	7,677	7,624	15,301
Prepaid expenses	-	10,450	10,450
Due from other funds	5,294	-	5,294
Special assessments receivable	176,796	-	176,796
Total assets	<u>\$1,048,941</u>	<u>\$162,139</u>	<u>\$1,211,080</u>
<u>Liabilities and Fund Equity</u>			
Liabilities			
Accounts payable	\$8,035	-	\$8,035
Accrued liabilities	4,513	-	4,513
Deferred revenues	156,425	-	156,425
Total liabilities	<u>168,973</u>	<u>-</u>	<u>168,973</u>
Fund equity			
Unreserved	<u>879,968</u>	<u>\$162,139</u>	<u>1,042,107</u>
Total fund equity	<u>879,968</u>	<u>162,139</u>	<u>1,042,107</u>
Total liabilities and fund equity	<u>\$1,048,941</u>	<u>\$162,139</u>	<u>\$1,211,080</u>

See Accompanying Notes to Financial Statements.

Pine River Township  
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
To Net Assets of Governmental Activities on the Statement of Net Assets  
For The Year Ended March 31, 2005

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Total fund balance - governmental funds	\$1,042,107
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Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the funds.

Cost of capital assets	337,474	
Accumulated depreciation	<u>(110,816)</u>	
		226,658

Net assets of governmental activities	<u><u>\$1,268,765</u></u>
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See accompanying notes to financial statements



Pine River Township  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
Year Ended March 31, 2005

	Major Funds		Total (Memorandum Only)
	General Fund	Fire Fund	
Revenues			
Taxes and penalties	\$85,583	\$109,922	\$195,505
Licenses and permits	8,269	-	8,269
State grants	170,692	-	170,692
Interest and rentals	14,699	1,316	16,015
Other revenues	80,129	-	80,129
Total revenues	<u>359,372</u>	<u>111,238</u>	<u>470,610</u>
Expenditures			
Legislative	38,700	-	38,700
General government	110,936	-	110,936
Public safety	-	93,453	93,453
Public works	69,795	-	69,795
Community and economic development	17,206	-	17,206
Capital outlay	10,184	-	10,184
Total expenditures	<u>246,821</u>	<u>93,453</u>	<u>340,274</u>
Excess of revenues over (under) expenditures	112,551	17,785	130,336
Fund balance - beginning	<u>767,417</u>	<u>144,354</u>	<u>911,771</u>
Fund balance - ending	<u>\$879,968</u>	<u>\$162,139</u>	<u>\$1,042,107</u>

See Accompanying Notes to Financial Statements.

Pine River Township  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For The Year Ended March 31, 2005

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Net change in fund balances - total governmental funds	\$130,336
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add: capital outlay	10,184
Deduct: depreciation expense	(21,509)
Sale of capital assets proceeds are recognized as revenues in the governmental funds, but only the gain / loss is recognized in the statement of activities.	<u>(627)</u>
Change in net assets of governmental activities	<u><u>\$118,384</u></u>

See accompanying notes to financial statements

Pine River Township  
Statement of Net Assets  
Proprietary Funds  
March 31, 2005

	Business-Type Activities Enterprise Funds		
	Alma Sewer Fund	St. Louis Sewer Fund	Total
<u>Assets</u>			
Current assets			
Cash	\$975,783	\$127,018	\$1,102,801
Accounts receivable	14,726	8,870	23,596
Special assessment receivable	2,358	736	3,094
Total current assets	992,867	136,624	1,129,491
Non-current assets			
Property and equipment			
Equipment	1,627	1,627	3,254
Sewer system	598,335	977,295	1,575,630
Total property and equipment	599,962	978,922	1,578,884
Less: accumulated depreciation	(408,418)	(596,933)	(1,005,351)
Net property and equipment	191,544	381,989	573,533
Special assessments receivable	9,432	2,944	12,376
Total non-current assets	200,976	384,933	585,909
Total assets	1,193,843	521,557	1,715,400
Current liabilities			
Accounts payable	5,085	5,223	10,308
Due to other funds	2,647	2,647	5,294
Total current liabilities	7,732	7,870	15,602
Total liabilities	7,732	7,870	15,602
Net assets			
Invested in capital assets, net of related debt	191,544	381,989	573,533
Unrestricted	994,567	131,698	1,126,265
Total net assets	\$1,186,111	\$513,687	\$1,699,798

See Accompanying Notes to Financial Statements.

Pine River Township  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
March 31, 2005

	Business-Type Activities Enterprise Funds		
	Alma Sewer Fund	St. Louis Sewer Fund	Total
Operating revenues			
Charges for services	\$62,692	\$71,172	\$133,864
Operating expenses			
Salaries	3,200	3,239	6,439
Supplies	222	510	732
Contractual services	49,382	69,377	118,759
Depreciation	14,958	24,432	39,390
Other	1,755	439	2,194
Total operating expenses	69,517	97,997	167,514
Operating income (loss)	(6,825)	(26,825)	(33,650)
Nonoperating revenues			
Interest income	11,340	1,131	12,471
Other revenue	3,030	1,081	4,111
Net income (loss)	7,545	(24,613)	(17,068)
Net assets, beginning	1,178,566	538,300	1,716,866
Net assets, ending	<u>\$1,186,111</u>	<u>\$513,687</u>	<u>\$1,699,798</u>

See Accompanying Notes to Financial Statements.

Pine River Township  
Statement of Cash Flows  
Proprietary Funds  
March 31, 2005

	Business-Type Activities Enterprise Funds		
	Alma Sewer Fund	St. Louis Sewer Fund	Total
Cash flows from operating activities			
Receipts from customers	\$70,482	\$71,544	\$142,026
Payments to suppliers / outsiders	(52,081)	(76,512)	(128,593)
Payments to employees	(3,200)	(3,239)	(6,439)
Internal activity - payments to other funds	1,759	1,759	3,518
Net cash provided (used) by operating activities	16,960	(6,448)	10,512
Cash flows from investing activities			
Interest income	11,340	1,131	12,471
Other receipts	3,030	1,081	4,111
Net cash provided by investing activities	14,370	2,212	16,582
Net increase (decrease) in cash and cash equivalents	31,330	(4,236)	27,094
Cash and cash equivalents, beginning	944,453	131,254	1,075,707
Cash and cash equivalents, ending	<u>\$975,783</u>	<u>\$127,018</u>	<u>\$1,102,801</u>
Reconciliation of operating income (loss) to net cash provided (used) by Operating Activities			
Operating income (loss)	(\$6,825)	(\$26,825)	(\$33,650)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	14,958	24,432	39,390
(Increase) decrease in:			
Accounts receivable	5,937	(3,164)	2,773
Special assessments receivable	1,853	3,536	5,389
Increase (decrease) in:			
Accounts payable	(722)	(6,186)	(6,908)
Due to other funds	1,759	1,759	3,518
Net cash provided by operating activities	<u>\$16,960</u>	<u>(\$6,448)</u>	<u>\$10,512</u>

See Accompanying Notes to Financial Statements.

Pine River Township  
Fiduciary Funds  
Statement of Net Assets  
March 31, 2005

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Assets

Cash	\$2,245
Due from County	<u>25,539</u>

Total Assets	<u><u>\$27,784</u></u>
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Liabilities

Due to Townships	\$26,628
Other Liabilities	<u>1,156</u>

Total Liabilities	<u><u>\$27,784</u></u>
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See Accompanying Notes to Financial Statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

Pine River Township  
Notes to Financial Statements  
March 31, 2005

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of Pine River Township (the Township) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**New Accounting Standards Adopted**

In fiscal year 2005, the Township adopted three new statements of financial accounting standards issued by the GASB:

- Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- Statement No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – (an Amendment to No. 34)*
- Statement No. 38 – *Certain Financial Statement Note Disclosures.*

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the Township's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the Township's statement of net assets includes both noncurrent assets and noncurrent liabilities of the Township, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group.

In addition to the government-wide financial statements, the Township has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.



Pine River Township  
Notes to Financial Statements  
March 31, 2005

Statement No. 34 also requires certain required supplementary information in the form of *Management's Discussion and Analysis* which includes an analytical overview of the Township's financial statements. In addition, a budgetary comparison statement is presented that compares the adopted and modified budget for all major funds with actual results.

Statement No. 37 amends GASB Statements No. 21 and 34. The amendments to Statement 21 are necessary because of the changes to the fiduciary fund structure required by Statement 34.

GASB has issued Statement No. 38, *Certain Financial Statement Note Disclosures* which modifies, establishes and rescinds certain financial statement disclosure requirements.

### **Reporting Entity**

The Township is governed by an elected five-member Board. The Township receives funding from local and state sources and must comply with all of the requirements of these funding source entities. However, the Township is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the Township's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

### **Joint Ventures**

Mid-Michigan Community Fire Control Board – The Township is a member of the Mid-Michigan Community Fire Control Board which is a joint venture between the City of St. Louis, Bethany Township, Pine River Township and Jasper Township. The Fire Board provides fire protection services to its members of local governments. The City and Townships each appoint one member to the joint venture's governing board. This board then determines and approves the annual budget.

The Township makes annual contributions to the Fire Board based on a formula using the average of the last 4 years of fire runs to determine the percentage cost applicable to each participating unit.

For the period July 1, 2004 through June 30, 2005, the Township's contribution to the Board was \$41,275.

The Township is unaware of any circumstances that would cause it an additional benefit or burden in the near future. Complete financial statements for the year ended June 30, 2005 can be obtained by writing to: Mid-Michigan Community Fire Board, 108 W. Saginaw, St. Louis, Michigan 48880.

Pine River Township  
Notes to Financial Statements  
March 31, 2005

Rural Urban Fire Control Board – The Township is a member of the Rural Urban Fire Control Board which is a joint venture between the City of Alma and the Townships of Arcada, Pine River, Seville and Sumner. The Board provides fire protection services to the Rural Urban Fire District. The membership of the Board is composed of seven members, of which the Township is represented by the Supervisor. The Board is responsible for preparing an annual budget (which is approved by the City and the Townships) and to carry out all activities of the Board.

The Board has established a funding formula based on assessed valuation, population, and runs. The fire fighting equipment is owned jointly by the member municipalities. The City of Alma provides day-to-day management oversight of this joint venture.

For the period July 1, 2004 through June 30, 2005, the Township's contribution to the Board was \$51,267.

The Township is unaware of any circumstances that would cause it an additional benefit or burden in the near future. Complete financial statements for the year ended June 30, 2005 can be obtained by writing to: City of Alma, 525 Superior Street, PO Box 278, Alma, Michigan, 48801.

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to consumers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Pine River Township  
Notes to Financial Statements  
March 31, 2005

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, claims and judgments, are recorded only when payment is due.

Proprietary Fund Financial Statements - The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Pine River Township  
Notes to Financial Statements  
March 31, 2005

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Fiduciary Fund Financial Statements – Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township operations. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township's operations. The Township currently maintains an agency fund to account for the monies collected and paid to various governmental entities for property tax collections.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for resources generated to pay for fire services provided to Township residents.

The Township reports the following major proprietary funds:

The Alma Sewer Fund and the St. Louis Sewer Fund which account for the activities of the sewage collection system.

### **Budgets and Budgetary Accounting**

Budgets are adopted by the Township for the general fund and the fire fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

The Township does not maintain a formalized encumbrance accounting system.

Pine River Township  
Notes to Financial Statements  
March 31, 2005

**Property Taxes**

Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 14<sup>th</sup> with the final collection date of February 28<sup>th</sup> before they are added to the county delinquent tax rolls.

For Township operations, the 2004 Taxable Valuation of the Township totaled \$60,748,968, on which .9063 mills were levied. For fire services, the 2004 Taxable Valuation of the Township totaled \$52,828,827, on which 2.0 mills were levied.

The total 2004 levy for the Township was \$160,715 of which \$55,057 was for operating purposes and \$105,658 was for fire services.

**Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Inventories and Prepaid Expenditures**

Inventories, which are immaterial in amount, are not recognized as an asset in these financial statements. Inventories are recorded as expenditures at the time of purchase in the governmental fund type. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**Deposits**

Cash and equivalents include amounts in demand deposits and certificates of deposit.

**Receivables**

Receivables have been recognized for all significant amounts due the Township as of March 31st. Valuation reserves have not been provided since their collection is not considered doubtful and any uncollected amounts would be immaterial.

Pine River Township  
Notes to Financial Statements  
March 31, 2005

**Capital Assets**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

The Township's capitalization policy is to capitalize individual amounts exceeding \$500.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land	Not Applicable – Not Depreciated
Equipment	5
Buildings	15 – 40
Sewer System	40

**Deferred Revenue**

Deferred liabilities arise in governmental funds when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred liabilities also arise, in both governmental and proprietary funds, when resources are received by the government before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

**Long-term Obligations**

As of the balance sheet date, the Township does not have any long-term obligations.

Pine River Township  
Notes to Financial Statements  
March 31, 2005

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general fund and fire fund. All annual appropriations lapse at fiscal year end.

**Excess of Expenditures over Appropriations**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2005, the Township incurred expenditures in excess of the amounts appropriated as shown on pages 22 of this report.

**NOTE 3. DETAILED NOTES**

**Deposits and Investments**

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, banker's acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Township's deposits are in accordance with statutory authority.

At March 31, 2005, the carrying amount of the Township's cash and cash equivalents was \$2,066,920 as follows:

Cash Deposits	\$2,056,920
Certificate of Deposit	10,000
Total	\$2,066,920

Pine River Township  
Notes to Financial Statements  
March 31, 2005

At year end, the carrying amount of the Township's cash deposits and certificate of deposits was \$2,066,920 and the bank balance was \$2,065,860. Of the bank balance, \$210,000 was covered by federal depository insurance and \$1,855,860 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits government funds and accesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

### Fixed Assets

A summary of changes in the Township's governmental activities capital assets follows:

	April 1, 2004	Additions	Disposals	March 31, 2005
Land	\$14,000	-	-	\$14,000
Buildings	289,575	-	-	289,575
Equipment	26,568	\$10,184	(\$2,853)	33,899
Accumulated Depreciation	(90,734)	(21,509)	1,427	(110,816)
Net Capital Assets	\$239,409	(\$11,325)	(\$1,426)	\$226,658

Depreciation expense for the fiscal year amounted to \$21,509 and was charged to the general government function.

A summary of changes in the Township's business-type activities capital assets follows:

	April 1, 2004	Additions	Disposals	March 31, 2005
Sewer System	\$1,575,630	-	-	\$1,575,630
Equipment	3,254	-	-	3,254
Accumulated Depreciation	(965,960)	(\$39,391)	-	(1,005,351)
Net Capital Assets	\$612,924	(\$39,391)	-	\$573,533



Pine River Township  
Notes to Financial Statements  
March 31, 2005

**Risk Management**

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Township has purchased commercial insurance from independent insurance providers. No settlements have occurred in excess of coverage for March 31, 2005 or any of the prior three years.

**Employees Retirement System – Defined Contribution Pension Plan**

Pine River Township participates in the Manulife Financial Defined Contribution Pension Plan for Michigan Township Employees. The name of the plan is the Pine River Township Group Employee's Pension Plan.

All members of the Township Board and all Township Employees are eligible to participate in the plan. As of March 31, 2005, the pension plan's current membership was 5 employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amounts contributed to the participant's account and the returns earned on those contributions.

Participants are required to contribute 7.5% of annual salary with the Township contributing an additional 7.5% of each employee's annual salary to the plan. Participant and employer contributions are immediately 100% vested.

During the year, the Township's actual contributions to the plan amounted to \$5,764, which includes \$2,882 of employer contributions, and \$2,882 of employee contributions.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

Pine River Township  
Notes to Financial Statements  
March 31, 2005

**Restatements**

During the 2005 fiscal year, the Township implemented various GASB Statements, as noted in Note 1 – Summary of Significant Accounting Policies.

As a result of implementing the new GASB Statements, the following restatements were made to beginning fund balance and net asset accounts:

*Fund Financial Statements – None.*

*Government-Wide Statements -*

Fund balances of governmental funds as of 3/3/04	\$911,771
Add: governmental capital assets as of 3/31/04	330,143
Less: accumulated depreciation as of 3/31/04	(90,734)
Other miscellaneous adjustments as of 3/31/04	(799)
Governmental net assets, restated, as of 4/1/04	\$1,150,381

**REQUIRED SUPPLEMENTAL INFORMATION**

**BUDGETARY COMPARISON SCHEDULE**

Pine River Township  
Combined Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget and Actual  
General Fund and Fire Fund  
Year Ended March 31, 2005

	General Fund				Fire Fund			
	Original	Budget	Actual	Variance	Original	Budget	Actual	Variance
<b>Revenues</b>								
Taxes and penalties	\$81,300	\$81,300	\$85,583	\$4,283	\$118,029	\$118,029	\$109,922	(\$8,107)
Licenses and permits	2,500	2,500	8,269	5,769	-	-	-	-
State grants	165,000	165,000	170,692	5,692	-	-	-	-
Interest and rentals	10,000	10,000	14,699	4,699	-	-	1,316	1,316
Other revenues	6,000	6,000	80,129	74,129	-	-	-	-
<b>Total revenues</b>	<u>264,800</u>	<u>264,800</u>	<u>359,372</u>	<u>94,572</u>	<u>118,029</u>	<u>118,029</u>	<u>111,238</u>	<u>(6,791)</u>
<b>Expenditures</b>								
Legislative	44,200	59,200	38,700	20,500	-	-	-	-
General government	127,296	132,916	110,936	21,980	-	-	-	-
Public safety	-	-	-	-	94,427	94,427	93,453	974
Public works	83,094	86,094	69,795	16,299	-	-	-	-
Community and economic development	26,390	26,390	17,206	9,184	-	-	-	-
Capital outlay	31,300	34,180	10,184	23,996	-	-	-	-
<b>Total expenditures</b>	<u>312,280</u>	<u>338,780</u>	<u>246,821</u>	<u>91,959</u>	<u>94,427</u>	<u>94,427</u>	<u>93,453</u>	<u>974</u>
Excess of revenues over (under) expenditures	(47,480)	(73,980)	112,551	186,531	23,602	23,602	17,785	(5,817)
Fund balance - beginning	767,417	767,417	767,417	-	144,354	144,354	144,354	-
Fund balance - ending	<u>\$719,937</u>	<u>\$693,437</u>	<u>\$879,968</u>	<u>\$186,531</u>	<u>\$167,956</u>	<u>\$167,956</u>	<u>\$162,139</u>	<u>(\$5,817)</u>

See Accompanying Notes to Financial Statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Township Board  
Pine River Township  
Gratiot County, Michigan

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Pine River Township (the Township) as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Township, in a separate letter dated June 22, 2005.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, management, and the Township Board is not intended to be and should not be used by anyone other than these specified parties.

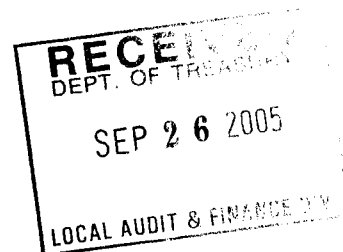
*Roslund, Prestage & Co, P.C.*

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

June 22, 2005



## Management Letter



Members of the Board  
Pine River Township  
St. Louis, Michigan

In planning and performing our audit of the financial statements of Pine River Township for the fiscal year ended March 31, 2005, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated June 22, 2005 on the financial statements of Pine River Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience.

Sincerely,

*Roslund, Prestage & Co, P.C.*

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

June 22, 2005

### **Organizational Structure**

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Board remains involved in the financial affairs of the Township to provide oversight and independent review functions.

Additionally, we recommend the Township Board review bank statements, cancelled checks and paid invoices on a regular basis.

### **Hall Rental Account**

During our audit, we found the Township maintains a separate bank account for hall rental income. Periodically, funds from this account are transferred into the general fund. However, this cash account is not reflected on the Township's trial balance. We recommend the Township include this cash account as an asset in the general fund.

### **Cash Management**

The Township has cash balances in some of its funds in excess of current operating requirements.

In order to maximize investment income, we recommend the Township transfer idle cash out of checking and savings accounts to higher yielding investments, including certificates of deposit and state approved investments.